

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 SS-15  
NSC-05 L-03 /054 R

DRAFTED BY EB/AN:WARILEY:VLV  
APPROVED BY EB/OA:MHSTYLES  
CAB - FMURPHY  
EUR/WE - EJBEIGEL  
EB/AN - RABROWN

-----017740 010600Z /21

R 010038Z JUL 77  
FM SECSTATE WASHDC  
TO AMEMBASSY ROME

C O N F I D E N T I A L STATE 153390

E.O. 11652: GDS

TAGS: EAIR, IT

SUBJECT: CIVAIR - US-ITALY CONSULTATIONS

1. US AND ITALIAN DELS MET JUNE 27-29 IN WASHINGTON FOR EX POST FACTO REVIEW OF WINTER 1976/77 CAPACITY OFFERED BY US AIRLINES. JOINT WORKING GROUP ESTABLISHED TO EXCHANGE STATISTICAL DATA AND PREPARE REPORT FOR CONSIDERATION BY DELEGATIONS WAS UNABLE TO RECONCILE SOME FIGURES BECAUSE OF METHODOLOGICAL DIFFERENCES, PRINCIPALLY ITALY'S INSISTENCE THAT SEAT FACTORS SHOULD BE CALCULATED ON THE BASIS OF US-ITALY NONSTOP PASSENGERS ONLY AND NOT INCLUDE OTHER PASSENGERS BETWEEN INTERMEDIATE POINTS AND ITALY OR TRANSITING ITALY.

2. US STATISTICS SHOWED SEAT FACTOR OF 51.8 PERCENT FOR ALITALIA, 36.1 PERCENT FOR PAN AM, 46.6 PERCENT FOR TWA,  
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AND 43.4 PERCENT FOR BOTH US AIRLINES. ITALIAN DATA WAS NOT BROKEN DOWN BY AIRLINE AND SHOWED FACTORS OF 51.8 PERCENT FOR ALITALIA AND 28.9 PERCENT FOR US AIRLINES. BOTH SIDES AGREED THAT DATA INDICATED HEALTHY LOAD FACTORS FOR WESTBOUND CARGO CARRIED ON FREIGHTER AIRCRAFT.

3. AFTER EXTENSIVE DISCUSSIONS, TWO SIDES WERE UNABLE TO

REACH AGREEMENT WHETHER THERE WAS EXCESS CAPACITY. USDEL

CHAIRMAN (STYLES) ARGUED THAT "EXCESS CAPACITY" WAS NOT AN ABSOLUTE QUANTITY AND THAT IN THIS INSTANCE, ALTHOUGH SEAT FACTORS MAY NOT HAVE BEEN OPTIMAL FOR US AIRLINES, THERE HAD BEEN NO INCREASE IN CAPACITY OVER THE PREVIOUS WINTER AND THAT ALITALIA'S SEAT FACTOR HAD IMPROVED SHOWING THAT NO UNDUE EFFECT HAD RESULTED FROM THE US AIRLINES' CAPACITY OFFER.

4. ITALIAN CHAIRMAN (FARACE) INSISTED THAT SEAT FACTORS WERE TOO LOW FOR US AIRLINES AND THAT EXCESS CAPACITY EXISTED DURING WINTER SEASON. HE PROPOSED REDUCTION OF 10 PERCENT IN SEATS OFFERED BY US AIRLINES FOR WINTER 1977/78. THIS OFFER WAS REJECTED. ITALIAN CHAIRMAN INSISTED THAT DISAGREEMENT ON WHETHER EXCESS CAPACITY EXISTED PROVIDED ITALIAN SIDE WITH RIGHT TO FREEZE US AIRLINES CAPACITY FOR COMING WINTER UNDER PARA 5(F)(2) OF MEMO OF UNDERSTANDING OF JUNE 22, 1970.

5. US CHAIRMAN PROPOSED TALKS BE RECESSED AND RESUMED WHEN 1977/78 WINTER SCHEDULE HAD BECOME KNOWN. ALSO, IN ABSENCE OF MUTUAL AGREEMENT, US INSISTED ANY CAPACITY LIMITATION FOR 1977/78 WINTER SEASON WOULD APPLY TO AIRLINES OF BOTH COUNTRIES. ITALIAN CHAIRMAN DID NOT AGREE TO RESUME EX POST FACTO TALKS BUT SAID US COULD REQUEST CONFIDENTIAL

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TALKS UNDER ATA AT ANY TIME.

6. COMMENT: ITALIANS ARE NOW POSITIONED TO FREEZE US CARGO AND PASSENGER SERVICES NEXT WINTER AND US IS IN POSITION DO SAME TO ALITALIA, EVEN THOUGH TWO SIDES DIFFER WHETHER MUTUAL FREEZE IS CONTEMPLATED UNDER PARA 2(F) OF MOU. IT IS NOT CERTAIN IF US WINTER SCHEDULES WILL REMAIN AT LEVELS SIMILAR TO LAST SEASON. TWA HAS GIVEN A PRELIMINARY INDICATION THAT IT PLANS TO UPGRADE ITS EQUIPMENT ON THE MILAN SERVICE AND WOULD INCREASE THE NUMBER OF SEATS OPERATED. WE WILL ASSESS SITUATION IN COMING WEEKS TO DETERMINE COURSE OF ACTION.

7. IN INFORMAL CONVERSATION, AMBASSADOR FARACE INDICATED ITALY WANTED BEGIN SUBSTANTIVE NEGOTIATIONS FOR REVISION OF AGREEMENT DURING COMING AUTUMN. IT WAS LEFT THAT SETTING OF DATE WOULD BE PURSUED THROUGH DIPLOMATIC CHANNELS. VANCE

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
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**Status:** NATIVE  
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**TAGS:** EAIR, IT, US  
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**Review Markings:**  
Margaret P. Grafeld  
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